JULY 1992

# INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

## THE BUCK STARTS HERE

HOW TO SPUR YOUR SALES SUPPORT STAFF TO GENERATE LEADS

## SWEEPING THE NATION

WHY SWEEPSTAKES ARE WINNING PROMOTERS' FAVOR

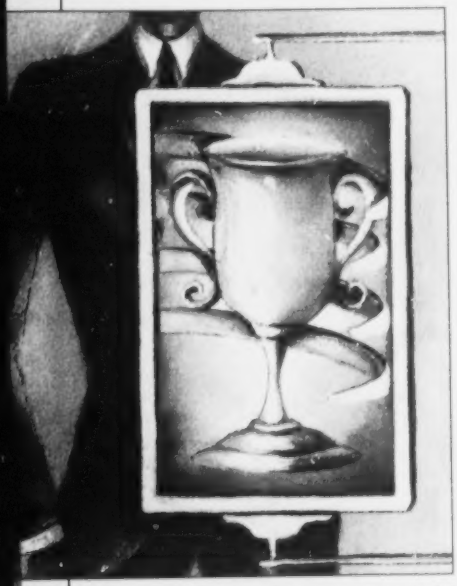
## STAR INSURANCE AGENTS

WHAT DO THEY THINK ABOUT INCENTIVE PROGRAMS?

## FROM PACHYDERMS TO PYROTECHNICS

THE REASONS BEHIND ALL THOSE STRANGE EVENTS AT CONFERENCE CENTERS

A BILL PUBLICATION



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# INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

JULY 1992
88TH YEAR,
VOL. 166, NO. 7


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Support staff often sit on the sidelines watching their more visible peers—salespeople—bask in the glory. But it doesn't have to be that way. Here's how you can get *all* employees generating leads and dollars—and how you can shine the spotlight on them too.


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INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

# HIGHER EDUCATION

BY BRUCE BOLGER

Over the past two years, **Incentive**, with the help of advertisers, has undertaken extensive efforts to educate corporate America about the use of incentive programs. We based this on the well-substantiated fact that few executives or managers have received any formal training on the development and execution of incentive programs and that, as a result, many campaigns contain serious flaws.

We have now come to another, even more startling conclusion: Relatively few people *selling* incentives—either for incentive companies, promotion companies or travel and merchandise companies—know much beyond the basics of program design.

While most of these salespeople have great expertise in their own products or services, and they certainly know the basic ingredients of successful program planning, many would have great difficulty designing a program from start to finish. This applies not only to incentive programs for dealers, salespeople and non-sales employees, but also to consumer promotions such as self-liquidators, frequency programs, or contests and sweepstakes.

Companies probably would argue that their salespeople really don't need nitty-gritty expertise in the craft of program planning. Some might argue that most incentive and promotion clients already know what they're trying to accomplish and don't need expertise from their suppliers. Others deal with the problem by employing in-house experts with whom salespeople can consult.

Why the apparent lack of planning expertise? Part of the reason stems from the general lack of knowledge in the industry at large. Another problem is the educational approach of the incentive associations, which do a very good job of defining the various types of incentive programs and providing case studies on successful programs, but seem to overlook the more basic job of training people on the basics of program planning.

Here's an exciting idea for incentive associations trying to revitalize their educational programs: The Institute of Advanced Advertising Studies, a program offered by the American Association of Advertising Agencies, recently graduated its first class of 40 agency executives who took a four-month course scheduled around work hours. The New York Times, reporting on the program, quoted an agency executive who said that the program provides the sort of intensive training most ad agencies can't provide. If ad agencies can't provide such training, it's likely that incentive companies, promotion agencies and merchandise and travel suppliers can't either.

Trained salespeople will give suppliers a competitive edge: It will help them sell incentive programs to non-users, as well as to design programs that keep customers coming back for more. Poorly trained salespeople not only hurt their own companies—they hurt the entire industry, creating the impression among end users that many suppliers really don't know what they're doing.

Bruce Bolger

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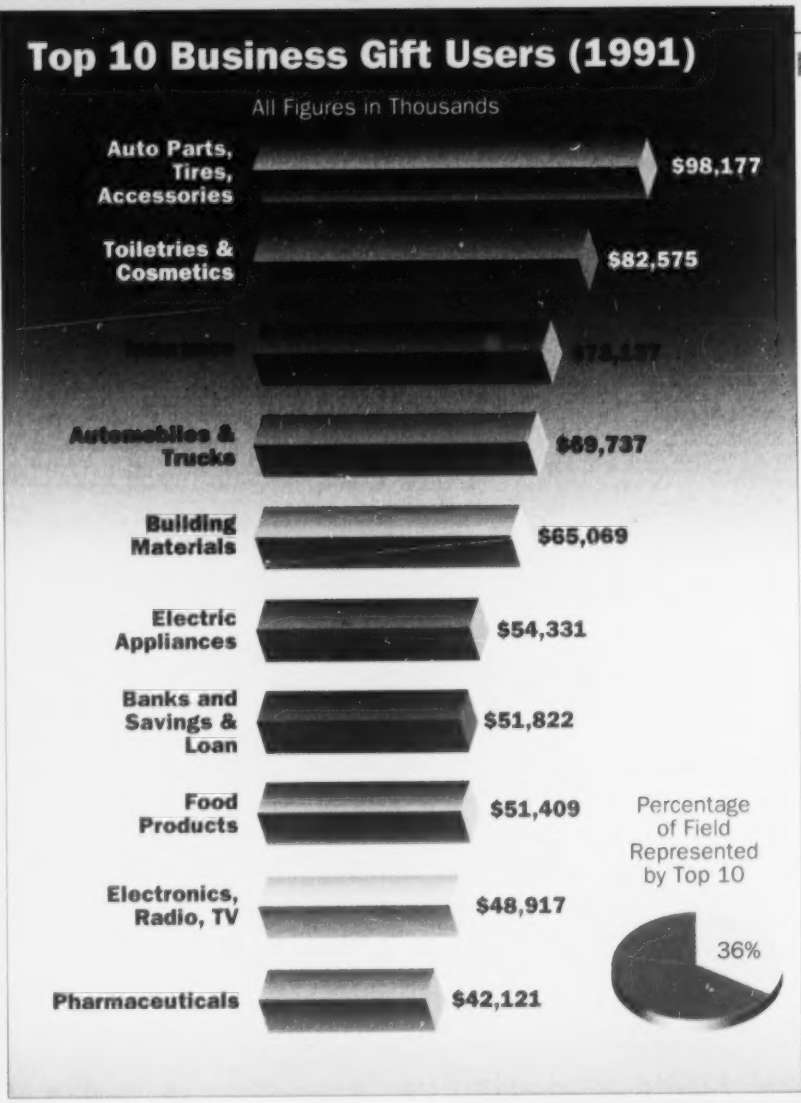
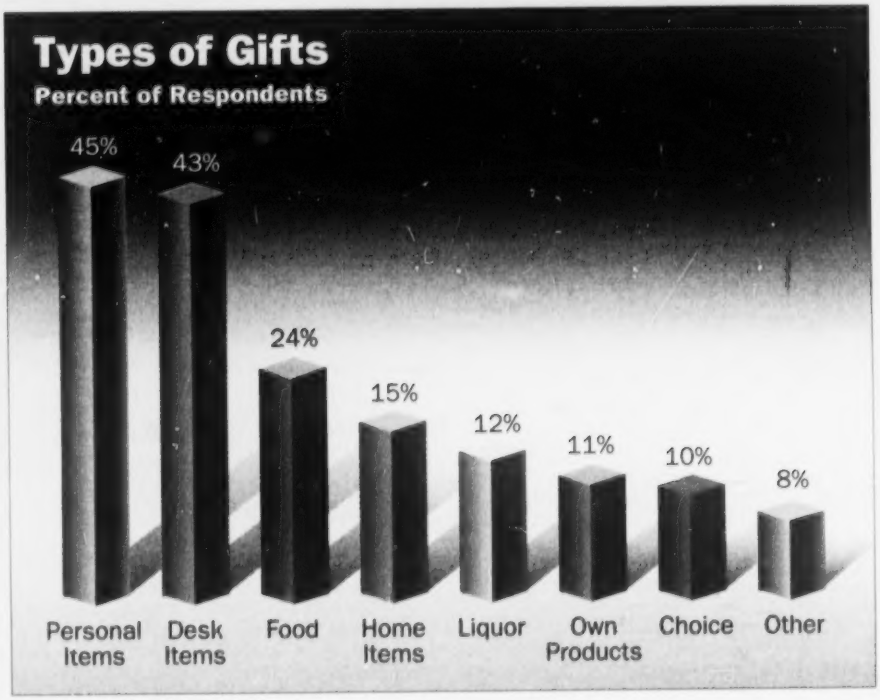



It might be better to give than to receive, but nowadays, corporate executives say it's just better to give less.

# FACTS SURVEY BUSINESS GIFTS

Which will win out in 1992? The spirit of good will, or the spirit of cost-cutting? According to **Incentive**'s annual survey of business-gift buyers, it appears that corporate cost-cutting will be the policy of choice. Executives' current forecasts indicate a rather stingy increase of 1.8 percent in spending for gifts over the 1991 outlay of $1.75 billion.

While the numbers suggest that the recession continues to affect the practice of business-gift giving, respondents in prior surveys have been surprisingly upbeat in their projections of spending on awards for sales-force and dealer incentives. Executives who responded to **Incentive** surveys earlier this year revealed that they were still thinking recession, with their trade incentive budgets rising by only 3 to 4 percent. But in this survey (which again




included a question about spending projections for sales and dealer programs), respondents said they plan to put a renewed emphasis on trade incentives, adding about 14 percent in award expenditures for sales and dealer promotions this year. Contrast that with the planned 1.8-percent increase for business gifts, and you get a sense of the low priority placed on corporate gift-giving this year. The good news, at least, is that executives are planning an increase at all: 1991's final estimated gift bill actually fell 0.1 percent below the previous year's.

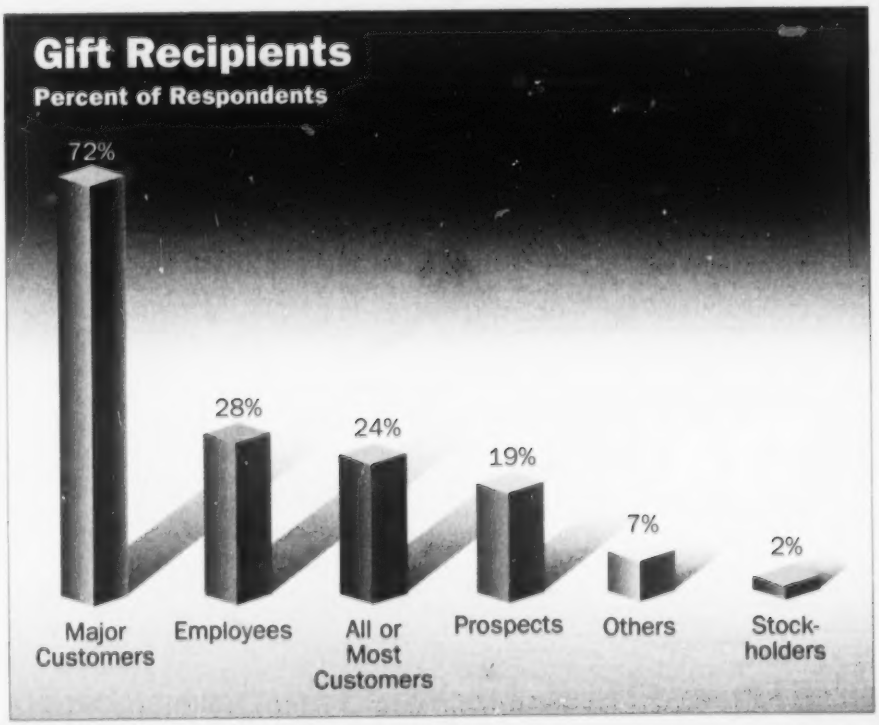
"Because of the recession, cash flows have made us go bare-bones," wrote one respondent, the president of a small New Jersey wholesaler. "If the banks were not greedy and lent to small business, we would be expanding and buying more."

Not all respondents were so gloomy. A small New England publisher commented: "Currently, due to poor economic conditions in New England, we reward only those advertisers who have a perfect payment history and multi-insertion record (in one year) in any of our publications. Previously, we extended gifts to all advertisers." The publisher reports a gift budget equal to less than half of what the firm spent in 1991.

**Incentive**'s annual survey recorded the estimates, practices and opinions of 230 executives who buy business gifts. Only 16 percent of them said they will spend more for each gift this year than last—the smallest such vote in many years. Nine percent plan to spend less per gift, while 75 percent—a new high—will hold the line.

In all, 36 percent said they have cut back total gift expenditures in the past two years. Of these, one-third reduced the number of gifts given; about one-fifth bought lower-priced items; the largest group, 43 percent of them, did both. Only one in four executives thinks now that he or she will restore these cuts in the coming year.

Some more statistics: The average



unit expenditure of $57 shows a sharp drop from last year's $81, though the median price tag has stayed the same, $20. The average number of gifts given has risen to 601, up from 443 a year ago. But this statistic tends to be quite volatile from year to year. The median, a more reliable indicator, shows a significant shrinkage in the typical gift list—to 100, down from 125 in 1991.

This is clearly where the recession's impact has been most apparent: While executives now believe they can cut just so much from the cost of a gift without looking cheap, they seem to feel that it's much easier to chop a few names off the list and thus retain a feeling of goodwill among the majority of their customers.

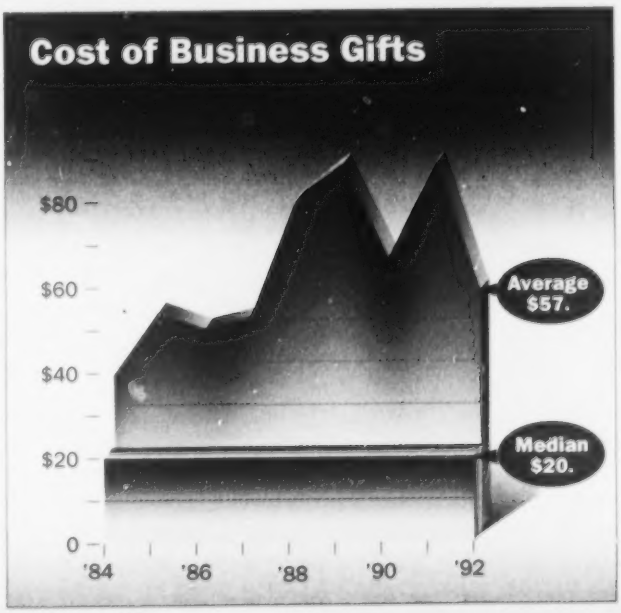
## FAVORING CUSTOMERS

Major customers are the least likely to be cut: 72 percent of respondents bestow gifts on them (see chart, page 72), up 5 points from the 1991 survey, while all other groups have been short-changed. Employees have lost the most ground, with only 28 percent of executives targeting them, compared with the 43 percent who included them a year ago.

Sales prospects have not been among the most popular gift targets in the past, with only 25 percent of companies giving to them in last year's survey; that has dropped to 19 percent. At least one user who gives gifts only to prospects and employees finds the practice effective and thus has not reduced his budget for large numbers of $5 to $7 items. "Our company has been giving gifts to prospects for 20 years," wrote Robert C. Hardy, president of Uniway Management Corporation in Forest Park, Ga. "These gifts are used to help compensate prospects for their time when coming in to our facility. It is in no way intended to influence their decision about our program."

**Top Business Gifts**
(Percentage of all items)

| | |
|---|---|
| Food gifts | 14% |
| Pens/pencils | 11% |
| Desk sets/accessories | 10% |
| Clocks/watches | 7% |
| Liquor/wine | 5% |
| Apparel | 5% |
| Personal items | 4% |
| Glassware/crystal | 4% |
| Caps/hats | 3% |
| Coffee mugs | 3% |
| Home/decorative items | 3% |
| Calendars/diaries | 3% |
| Calculators | 3% |
| Gold items | 2% |
| Radio/TV/VCR | 2% |
| Attache cases/portfolios | 2% |
| Electronic items | 2% |
| Sporting goods | 2% |
| Plaques/trophies | 2% |
| Flowers/plants | 2% |
| Books/subscriptions | 1% |
| Jewelry | 1% |
| Knives | 1% |
| Gift certificates | 1% |
| Trips | 1% |
| Artwork/prints | 1% |




## 'TIS THE SEASON

Christmas remains the most common time of year to give business gifts, favored by 74 percent of respondents. Trade shows and conventions rank as the second-most popular occasion, listed by 35 percent. Well behind are birthdays, mentioned by 11 percent; company anniversaries, cited by 7 percent, and other holidays, mentioned by only 1 percent. The third-place entry was "other," checked by 32 percent who present their gifts to plant and office visitors during company parties, sales calls, presentations, customers' birthdays, and a wide range of miscellaneous events to express thanks and good will.

## POPULAR ITEMS

Forty-five percent of buyers list personal merchandise items as their most likely gift choices, followed by desk items at 43 percent. Based on frequency of choice, these two categories represent 52 percent of all gifts selected by these executives, six other categories comprise the remaining 48 percent (see chart at left).

Also, 32 percent of respondents—4 percentage points more than last year—said they personalize each gift with the recipient's name or initials. Using the *giver's* name or advertising imprint, however, remains the most common practice, favored by 64 percent.

How and where do executives buy their gifts? Buying direct from the manufacturer remains the first choice, picked by 47 percent, up from the 44 percent logged in last year's survey. Some feel strongly about this, as does Michael J. O'Brien, sales manager of Renhart Sales Company, a wholesaler in Methuen, Mass., who said, "We started giving business gifts 18

years ago. I would prefer to buy direct, which keeps my cost down. Since I buy at wholesale prices, the suggested retail price makes the present seem to be worth more to the customer."

However, David B. Seidner, president of Lambert Printing and Graphics in New York, takes a retail, route. "Our shopping has become personalized to each client," he wrote. "We have moved away from department stores and shop exclusively at a small crafts shop in the SoHo section of New York City." From such sources, he said, he buys about 20 gifts a year, choosing items that include earrings, pins and sundials.

The users in the survey said they tend to give many more items than they receive. Although giving a median 100 business gifts, they report receiving a median of only five; the highest number reported by one person was 50 gifts.

## ETHICAL CONSIDERATIONS

Respondents feel fairly comfortable about the ethics of their gift practices, but 11 percent do admit that their gifts might have "improperly influenced a customer's buying decisions." That's no surprise, since 13 percent said they believe some of the gifts they receive have actually been intended to exert an improper influence.

"Giving a gift," said Joe Tyson, president of Tyson Marketing Inc., Plymouth, Minn., "is just another way of saying 'thank you.' I would not do business with a company if a gift influenced a decision; it means the best gift-giver gets the job."

But an advertising executive at a Northeastern company noted that vigilance remains important: "Our corporate policy has always been that [giving] any gift valued over $100 must be documented and, depending on the size or nature of the gift, it may require corporate approval."

A Midwestern electrical wholesaler has a lower ceiling—his gifts usually don't exceed $25 in cost. "We've been giving gifts for 35 years," he wrote. "We believe in keeping the dollar value at a point that doesn't put recipients in an adverse position, yet continues to show our appreciation for the business they've sent our way."

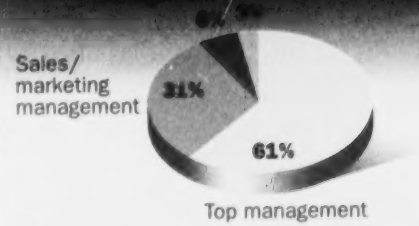
Many companies, of course, do have policies prohibiting acceptance of gifts by their employees. In this survey, respondents said they are aware of such restrictions in about 32 percent of companies they do business with—up 3 points from a year ago. But 39 percent said they sense that such bans have increased over the past two years.

## NEW PRACTICES

A Virginia electronics-service firm, for example, has modified its practices somewhat after 25 years of giving business gifts because the president sees as many as half of all firms instituting anti-gift policies. "We are more careful now," he wrote. "The general attitude of acceptance has changed: Small gifts are OK; $25 gifts are received more skeptically. We now wait until after we have an order (annual contract) before offering small tokens of appreciation. The same holds true for lunch or dinner: We wait until the prospect becomes a customer."

Similarly, a computer manufacturer pointed out, "We have been using business gifts primarily at trade shows and other special customer events as long as I have worked here—16 years. My group's philosophy has changed from random giveaways to special items for special events. We place more value on giving the right gift for the right occasion." □

### 1. Who does the buying?




### 2. Where are gifts given?

| | |
|---|---|
| Recipient's place of business | 77% |
| Recipient's home | 24% |
| Donor's place of business | 23% |
| Other | 5% |

### 3. Sources of gifts

| | |
|---|---|
| Direct from manufacturer | 47% |
| Ad speciality counselor | 27% |
| Incentive representative | 24% |
| Wholesaler or distributor | 23% |
| Retail store | 16% |
| Mail-order firm | 15% |
| Incentive firm, jobber, stamp company | 12% |

### 4. When are gifts bought?

| | | | |
|---|---|---|---|
| January | 12% | July | 12% |
| February | 11% | August | 16% |
| March | 11% | September | 31% |
| April | 7% | October | 34% |
| May | 8% | November | 27% |
| June | 11% | December | 18% |

### 5. How are gifts delivered?

| | |
|---|---|
| Salesperson | 59% |
| Executive | 34% |
| Parcel service | 27% |
| Mail | 23% |
| Messenger | 6% |